

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF IOWA

In Re:) Case No. 21-01643-als11
) Affiliated Cases: 21-01644 thru 21-01653
QHC FACILITIES, LLC)
) Chapter 11
Debtor and Debtor in Possession.)
) Hon. Anita L. Shodeen
8350 Hickman Road Suite 15)
Clive, Iowa 50325) DECLARATION OF NANCY A.
) VOYNA, CEO OF QHC FACILITIES,
EIN: 26-2923180) LLC, ET AL. IN SUPPORT OF FIRST
<hr/>) DAY MOTIONS
And Affiliated Cases)
<hr/>) No Hearing Set

I, Nancy A. Voyna, hereby declare under penalty of perjury that the following is true to the best of my knowledge, information, and belief:

1. I am the duly appointed, acting and authorized Chief Executive Officer (“CEO”) of QHC Facilities, LLC, and its affiliates that are debtors and debtors-in-possession (collectively the “Debtors” or the “Company”) in the above-captioned chapter 11 cases (collectively, the “Chapter 11 Cases”). I am the sole or principal owner of each of the Debtors. See Exhibit A for a summary of the Debtors.

2. In my capacity as CEO, I have personal knowledge of, and am familiar with, the business affairs, day-to-day operations, books and records, and financial condition of the Debtors, and I am authorized to submit this declaration (the “Declaration”) on behalf of the Debtors. I submit this Declaration to assist the Court and parties-in-interest in understanding the circumstances that led to the commencement of the Chapter 11 Cases and in support of (i) the Debtors’ voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) and (ii) the relief that the Debtors have requested pursuant to the motions

and applications (the “First Day Pleadings”) filed on the date hereof (the “Petition Date”) in the United States Bankruptcy Court for the Southern District of Iowa (the “Court”). I am familiar with the contents of each of the First Day Pleadings and believe that the relief sought therein will allow the Debtors to fulfill their duties as debtors-in-possession, minimize the possible disruption to the Debtors’ business that may be caused by commencement of the Chapter 11 Cases, and position the Debtors for the seamless transition of their skilled nursing and assisted living facilities and wind down of their operations, all while prioritizing the continued and uninterrupted care of their residents.

3. The Debtors were formed in 2008 to acquire the business operations and assets of Quality Healthcare Specialists (“QHS”) in May 2011. QHS was formed in 1977. Prior to the QHS acquisition transactions, my spouse, Jerry Voyna, and I worked at QHS for approximately 20 years. Following the QHS acquisition transactions, I served as a Managing Member, including responsibilities for Human Resources and Compliance Officer, until the death of my spouse, Jerry Voyna, in June 2021. Until his death, Jerry Voyna served as Managing Member, including responsibilities similar to that of Chief Executive Officer and Chief Financial Officer, of each Debtor. Following his death, I assumed the role of Chief Executive Officer of each Debtor.

4. The Debtors, headquartered in Clive, Iowa and employing approximately 300 people, are licensed operators of 8 skilled nursing facilities (the “Skilled Nursing Facilities”) and 2 assisted living facilities (the “Assisted Living Facilities”) comprising nearly 750 licensed beds/units across Iowa. Debtors offer the following suite of services: (i) skilled nursing, (ii) restorative nursing, (iii) respite care, (iv) physical therapy, (v) long term care, (vi) occupational therapy, (vii) hospice care, (viii) dementia care, (ix) Alzheimer’s care, and (x) rehabilitation therapy. On a combined basis, the Debtors generated annual revenues of approximately \$30.4

million in calendar year 2020 and \$17.3 million in the ten months ended October 31, 2021. The Debtors receive revenue from three primary sources, including: (i) Medicare reimbursements, (ii) Medicaid reimbursements, and (iii) other third party and private payors.

5. The Debtors own the underlying real property at the Skilled Nursing Facilities and the Assisted Living Facilities listed in Exhibit A. In addition to the Debtors that own and operate the facilities, there are two corporate office Debtors. QHC Management, LLC includes lease and corporate office payroll costs. QHC Facilities, LLC is a shared services entity that collects receipts and pays disbursements for the facilities.

6. Since March 2020, the Debtors have faced significant fiscal challenges emanating from the unprecedented and still ongoing COVID-19 pandemic, as they grappled with caring for their residents and maintaining sufficient operational liquidity amidst constantly changing conditions. Among other things, the Debtors, as a result of COVID-19, have experienced decreased resident occupancy levels, crippling staffing and employee retention issues, and increased operating expenses associated with personal protective equipment, labor pressures, and other associated costs, all of which have impacted the healthcare sector generally and operators of skilled nursing and assisted facilities in particular. While federal relief provided the Company with some relief from COVID-19 related losses and expenses, the Company has received only very limited state relief.

7. The Debtor's Crestview Acres facility in Marion, Iowa was damaged by a derecho in August 2020 that forced its closure and resulted in lost revenues. The Debtors have not commenced rebuilding as of the Petition Date.

8. The lengthy illness and death of Jerry Voyna in June 2021 had a devastating impact on the Debtors' business. The Debtors were highly reliant on his operational and financial

management, plus there were no redundancy plans in place in the event of his death. The financial data and records were maintained by him, and the Company was faced with significant challenges in preparing financials and dealing with creditors. As an example, he had not been remitting the quarterly Qualified Assurance Assessment Fees (“QAAF”) to the State of Iowa. The outstanding balance is estimated to be \$4.0 million as of the Petition Date.

9. In light of these developments, the Company engaged Gibbins Advisors, LLC; Bradshaw, Fowler, Proctor & Fairgrave, P.C.; and Newmark as financial, legal and senior living real estate advisors, respectively, to explore potential paths forward, including in- and out-of-court strategic alternatives and restructuring initiatives. As part of this work, the Company and its advisors critically compared scenarios where the Debtors would continue to operate all or some of their Facilities with scenarios where the Debtors would sell their Facilities to new operators. Following financial and operational analysis with our restructuring advisors, as well as an accelerated period of confidential restructuring negotiations with certain of the Debtors’ key stakeholders, the Debtors determined that the most appropriate course of action would be to sell the operations of all of the Debtors’ facilities to a new operator and subsequently wind down the Company’s operations. The commencement of the Chapter 11 Cases represents the culmination of those negotiations and agreement among the Debtors and its secured lenders, with support for the Debtors’ proposed chapter 11 plan.

10. **Capitalization.** As more fully described in the cash collateral order, the Debtors have credit arrangements with two secured lenders that are governed by intercreditor arrangements among the lenders. The secured lenders have heretofore provided “at will” forbearance.

i. As of the Petition Date, the outstanding balances owed to Lincoln Savings Bank (“LSB”) under the various credit agreements are approximately \$9.3 million. The LSB

obligations are secured by senior secured liens in favor of LSB encumbering the applicable Debtors' cash, accounts, and other assets in accordance with the LSB credit agreements.

ii. As of the Petition Date, the outstanding balances owed to the Kenneth A. Webb Family Trust ("Webb Trust") under the various credit agreements are approximately \$20.4 million. The Webb Trust obligations are secured by senior secured liens in favor of Webb Trust encumbering the applicable Debtors' cash, accounts, and other assets in accordance with the Webb Trust credit agreements.

iii. As of the Petition Date, the outstanding principal balance owed to Chrysler Capital is approximately \$1,200. The Chrysler Capital obligation is secured by senior secured liens in favor of Chrysler Capital encumbering the applicable Debtor vehicle in accordance with the Chrysler Capital credit agreement.

iv. In addition to the secured debt obligations described above, the Debtors are liable for other unsecured debt obligations, which include, among other things (i) the aforementioned QAAF obligation and (ii) other trade and vendor claims totaling approximately \$5.8 million as of the Petition Date.

11. **Goals of the bankruptcy proceeding.** As a result of continued losses and limited liquidity, QHC is seeking an expedited sale of operations under which patient care will continue uninterrupted and employee and vendor relationships will continue. Newmark has worked extensively pre-petition to identify prospective buyers and investors. Debtors are presently in transactional discussions with several prospective buyers and believes they can accomplish a sale on an accelerated timeline. Following the transfer of healthcare operations, the Debtors will wind down the estates in a format to be determined in consultation with its bankruptcy professionals and as approved by the Court.

I declare under penalty of perjury, under the laws of the State of Iowa and the laws of the United States, that the foregoing is true and correct and is executed this 31st day of December, 2021 at Clive, Iowa.

Dated: December 31, 2021

/s/ Nancy A. Voyna

CERTIFICATE OF SERVICE

This document was served electronically on parties who receive electronic notice through CM/ECF as listed on CM/ECF's notice of electronic filing.

/s/ Barbara Warner

Exhibit A

Debtor	Type	Facility Name	Location	Beds
QHC Facilities, LLC	Corporate	N/A	8350 Hickman Rd., Ste. 15 Clive, Iowa 50325	N/A
QHC Management, LLC	Corporate	N/A	8350 Hickman Rd., Ste. 15 Clive, Iowa 50325	N/A
Crestridge, Inc.	Skilled Nursing	Crestridge	1015 Wesley Dr. Maquoketa, IA 52060	75
Crestview Acres, Inc.	Skilled Nursing	Crestview Acres	1485 Grand Ave. Marion, IA 52302	100
	Skilled Nursing	Sunnycrest Nursing Center	401 Crisman St. Dysart, IA 52224	50
QHC Fort Dodge Villa, LLC	Skilled Nursing	Fort Dodge Villa Care Center	2721 10th Ave. N. Fort Dodge, IA 50501	107
QHC Humboldt North, LLC	Skilled Nursing	Humboldt Care Center North	1111 11th Ave. N. Humboldt, IA 50548	90
QHC Humboldt South, LLC	Skilled Nursing	Humboldt Care Center South	800 13th St. S. Humboldt, IA 50548	40
QHC Mitchellville, LLC	Skilled Nursing	Mitchell Village Care Center	114 Carter St. SW Mitchellville, IA 50169	65
QHC Winterset North, LLC	Skilled Nursing	Winterset Care Center North	411 East Lane St. Winterset, IA 50273	120
QHC Madison Square, LLC	Assisted Living	Madison Square	209 W Jefferson St. Winterset, IA 50273	44
QHC Villa Cottages, LLC	Assisted Living	Villa Cottages	925 Martin Luther King Dr. Fort Dodge, IA 50501	20
Total				711